

Message Text

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17

ACTION XMB-04

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 OPIC-06 SP-02

CIEP-02 OMB-01 /061 W

----- 030096

R 230508Z MAY 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 1653

UNCLAS TEHRAN 4865

DEPT. PASS EXIM BANK FOR THOMAS MORAN FROM EXON COUNSELOR BREWIN

E.O. 11652: N/A

TAGS: EFIN, IR

SUBJECT: FINANCING FOR KHORASAN REGIONAL POWER SYSTEM

REF: STATE 118861

1. EMBASSY SPOKE WITH MR. PAUL C. SCHORR OF COMMONWEALTH ELECTRIC COMPANY AND MR. DONOVAN, PRESIDENT OF DONOVAN CONSTRUCTION COMPANY, ST. PAUL, MINNESOTA, ON MAY 18 RELATIVE TO THEIR INTEREST IN THE KHORASAN REGIONAL POWER DISTRIBUTION SYSTEM. PROJECT IS VALUED AT APPROXIMATELY \$35 MILLION AND SCHORR/DONOVAN ARE CONTEMPLATING JOINT VENTURE WITH A QUALIFIED IRANIAN FIRM TO BID ON PROJECT. IN THE COURSE OF THE CONVERSATION THEY EXHIBITED A COPY OF THE BID DOCUMENT WHICH DOES IN FACT REQUIRE BIDDERS TO FURNISH PARTICULARS ON ANY FINANCING THAT THEY HAVE ARRANGE. IT IS UNCLEAR AT THIS TIME WHETHER FINANCING IS AN ABSOLUTE PREREQUISITE FOR BIDDING ON THE PROJECT.

2. AMERICAN BANKERS IN TEHRAN HAVE BEEN TELLING EMBASSY RECENTLY THAT GOI BELIEVES IT IS RAPIDLY BECOMING OVERCOMMITTED DOMESTICALLY AND ABROAD AND THAT FOREIGN FINANCING IN SOME CASES WILL BE SOUGHT. SPECIFICALLY, CENTRAL BANK OF IRAN REPORTEDLY WILL LOOK WITH MUCH FAVOR ON SO-CALLED "PROJECT FINANCE" (E.G., PETROLEUM REFINERIES, PETROCHEMICAL PLANTS) FOR JOINT

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VENTURES. THAT IS, GOI WILL SEEK 100 PERCENT OFF-SHORE

FINANCING FOR BOTH IRANIAN AND FOREIGN PARTICIPATION IN THESE
KINDS OF JOINT VENTURES. EVEN IF OFF-SHORE FINANCING WITH
THE KHORASAN PROJECT IS NOT AN ABSOLUTE REQUIREMENT, EMBASSY
BELIEVES THAT AS BETWEEN TWO BIDDERS OF EQUIVALENT MERIT
IN TERMS OF DELIVERY DATES, EXPERIENCE OF BIDDERS, ETC.,
THE BID WHICH CARRIES EXTERNAL FINANCING WOULD PROBABLY GET THE NOD.

3. EMBASSY WILL ENDEAVOR TO DEVELOP FURTHER INFORMATION FROM
APPROPRIATE GOI MINISTRY ON MAY 27, EMBASSY'S FIRST WORKING DAY
AFTER MEMORIAL DAY WEEKEND.
MIKLOS

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Message Attributes

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Disposition Event:
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Margaret P. Grafeld
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